

WASHINGTON (February 29) – Congressman Spencer Bachus (AL-6) today made the following statement during a House Financial Services Committee hearing with Federal Reserve Chairman Ben Bernanke on the state of the economy and monetary policy.

Bachus is Chairman of the Committee.

(To view excerpt from statement, [click here](#) .)

"In my opening statement today, I'm going to avoid making any predictions about future events since I do not have a crystal ball, nor do you, Chairman Bernanke. Instead, I'm going to address two subjects: the need for long-term entitlement reform and the Federal Reserve's dual mandate.

"For the last three years we have operated in a low interest rate environment, which has artificially lowered the cost of our debt servicing. This temporary respite will not last forever. "Chairman Bernanke, in each of your past appearances before this Committee, you and I have discussed the dangers to the U.S. economy posed by our record levels of debt and deficits, and the crucial need for entitlement reform. We have discussed how long-term restructuring of our entitlement programs will have clear benefits for our economy today, and will give our country a greater chance of success in the long run. Unfortunately and sadly, too few in Washington appear to be listening to this discussion. Your appearance here today is yet another opportunity for us to have this important dialogue, and it is my hope that Congress and the White House join together and address entitlement reform.

"Your appearance is also an opportunity for us to have another important dialogue – this one on the Federal Reserve's dual mandate."The Federal Reserve's conduct of monetary policy – through the manipulation of interest rates and its control of the money supply – implies a certain level of government management of the economy. While this makes some Americans uncomfortable, there is a general recognition of the need for an independent central bank to set monetary policy.

"Yet if one closely examines the Federal Reserve's dual mandate – price stability and maximum employment – it quickly becomes apparent that while the first part of that mandate involves monetary policy, the second is largely a function of economic policy.

"You acknowledge this, Chairman Bernanke, in the testimony you prepared for today's hearing when you state that 'while maximum employment stands on an equal footing with price stability as an objective of monetary policy, the maximum level of employment in an economy is largely determined by nonmonetary factors that affect the structure and dynamics of the labor market.

"By giving the Federal Reserve a mandate that includes maximum employment, it is fair to ask whether we have surrendered too much control over the economy to a government agency, and whether a mandate that is more centrally focused on monetary policy would be a better approach.

"Indeed for the first 65 years of its existence, the Federal Reserve did not operate under a dual mandate; it was only in 1977 that Congress passed a law requiring the Federal Reserve to promote both maximum employment and price stability.

"It may therefore be appropriate for Congress to revisit the dual mandate, with an eye toward refocusing the Fed on its core mission of long-term price stability and other matters that constitute monetary policy."